

# City of San José

## THREE YEAR GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN

### Top Priority Strategy Recommendations

May 16, 2008



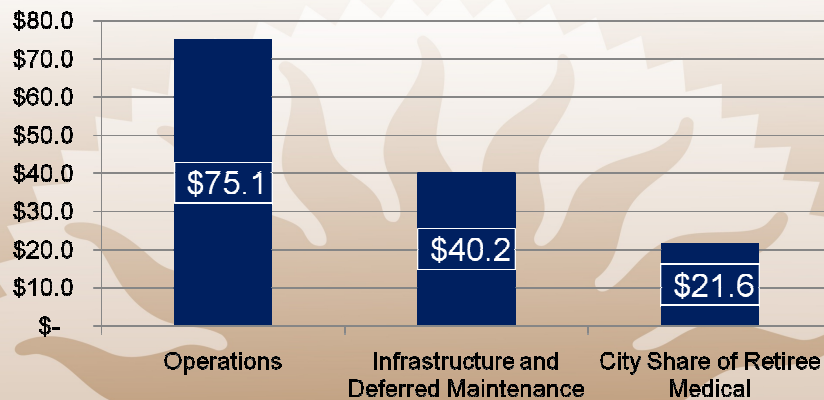
## Background

- Spring 2007, City Council established City's Three-Year Goals:
  - Eliminate the Structural Deficit
  - Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure



## What is the General Fund Structural Deficit?

**FY 2009 - 2012 Structural Deficit by Type**



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3



## Mayor's Budget Shortfall Advisory Group (BSAG)

- BSAG asked to advise Council of ways to eliminate the structural budget deficit
- City Manager created Task Force to provide technical support for BSAG
  - Final report provided twenty-one Top Priority Strategies
- Mayor's March Budget Message directed staff to complete Three-Year General Fund Structural Deficit Elimination Plan

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4



## Three-Year General Fund Structural Deficit Elimination Plan

- Mayor directed review of Top Priority Strategies immediately:
  - Core Team
  - Stakeholder Group
- Manager's Budget Addendum #4
- City Manager presents Plan in November 2008

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5



## City Manager's Core Team

- Appointed by City Manager
  - City Senior Staff, Senior RDA staff and Attorneys
- Review Top Priority Strategies
  - Timing urgency or immediate opportunity to implement
  - Analyzing and coordinate further work
- Technical Information/Resource for Stakeholder Group

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6



## Stakeholder Group

- Twenty-three community members
  - Representing: taxpayers, neighborhoods, nonprofits, labor, city employees, business
  - Councilmember Constant Chairperson
- Three meetings in April/May
- Identified *Advantages and Concerns* of Top Priority Strategies
- Will develop Alternative Strategies and Options & their *Advantages and Concerns*

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7



## Achieving a Solution

- Elimination of Structural Budget Deficit will require changes in way City does business
- Both revenue and expenditure changes will need to be made
- Revenue and expenditure strategies are shaped by very different factors – and are not directly under City Council control
- Each strategy has unique implementation issues

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8



## Overarching Themes

- At heart of most general revenue and changes in service delivery / expenditure control are two major confines on City Council discretion
  - On revenue side new General Fund revenues usually require voter approval
  - On expenditure control side most changes of significance are subject to collective bargaining
- Urgent strategies are oriented towards revenues due to November 2008 election deadline

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9



## Strategy: Increase Conveyance Tax and/or Shift Construction Tax and Conveyance Tax funding from Capital Projects to Operations & Maintenance

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10



## **Recommendation:**

### **Proceed with further research and polling for November 2008 ballot**

Increase the Conveyance Tax by 50%

- Do not change requirement that at least 64% of total revenues be allocated for parks purposes
- Allow up to 40% of parks allocation for parks maintenance (increase from 15%);
- Up to 40% of allocations for maintenance purposes within specific non-parks programs funded with C&C revenues

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11



## **Strategy: Increase Revenues from Visitors who Benefit from General Fund Services**

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12



## **Recommendation:**

**Proceed with further research and polling for November 2008 ballot**

### **Authorize City-wide Vehicle Tax:**

- 5% per rental or \$5 flat fee per contract (depending on legal analysis) **or**
- Parking tax to apply to City and Redevelopment Agency owned and/ or other parking lots of 10%

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Top Priority Strategy Recommendation Presentation  
13



## **Strategy: Increase in Transient Occupancy Tax (TOT) and Shift to General Fund**

**Recommendation:**  
**Drop from consideration at this time**

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14



## **Strategy: Modernize Utility Users Tax (UUT) and Consider Increase to Bring Into Alignment with Other Large Cities**

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15



## **Recommendation: Proceed with further research and polling for November 2008 ballot:**

Modernize Telephone Users portion of UUT  
and include as taxable revenues from  
emerging technologies

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16





## **Strategy: Utilize Financial Strategies that have Positive Net Present Value**

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17



## **Recommendation: Proceed with development of financing strategies have Positive Net Present Value**

As recommended in 2008-2009 Proposed Budget:

- Pre-Pay Pension Obligation
- Consider Issuing Pension Obligation Bonds

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18



## Strategy: Implement an Asset Management Program

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19



## Recommendation: Proceed with further analysis and policy development

Create a rigorous asset management program:

- Continue with current real estate transactions *and*
- Provide framework for program as part of Three-Year General Fund Structural Deficit Elimination Plan

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20



# Strategy: Implement Revamped Employee Suggestion and Process Streamlining / Optimization Program

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21



## Recommendation: Proceed with program development and implementation

Revamped Employee Suggestion and Process Streamlining / Optimization Program

- Emphasis on process streamlining and optimization

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22



## Strategy: Ensure all fees are full cost recovery

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23



## Recommendation: Adopt proposed 2008-2009 Fees and Charges Report

- Maintain current City Council cost recovery policy;
- Conduct further analysis of current and new fees; **and**
- Make further recommendations in Three-Year General Fund Structural Deficit Elimination Plan.

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Top Priority Strategy Recommendation Presentation  
24



## Strategy: Implement Citywide Lighting and Landscaping District

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25



## Recommendation: Proceed with further analysis and stakeholder outreach

- Include policy analysis of non-citywide options; **and**
- Provide update and status report in Three-Year General Fund Structural Deficit Elimination Plan

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Top Priority Strategy Recommendation Presentation  
26



## Strategy: Restructure Business Tax to Modernize and Reflect Current Business Profile

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Top Priority Strategy Recommendation Presentation  
27



## Recommendation: Proceed with further analysis and stakeholder outreach

–Do not move forward any changes as a ballot measure in November of 2008

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Top Priority Strategy Recommendation Presentation  
28



## **Strategy: Increase Sales Tax to Provide Increased General Fund Revenues**

**Recommendation:  
Drop from consideration at this time**

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29



## **Stakeholder Group Added Strategy: Increase number of card room tables and/or tax**

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Top Priority Strategy Recommendation Presentation  
30



## Recommendation:

### Proceed with further analysis and stakeholder research

- Examine increase in card room tax from 13% to 15% **and/or**
- Increase number of tables allowed

## Next Steps/Key Dates

- Complete polling and analysis on Top Priority Strategies, May-June
  - Begin developing ballot language
- Continue Stakeholder Meetings/Outreach, through September
- June 19<sup>th</sup> Special City Council Meeting
  - Review polling results
  - Possible ballot measure decisions



## Next Steps/Key Dates, continued

- August 5th City Council Meeting
  - Final opportunity for Council to place items on November ballot
- City Manager presents Three-Year Structural Budget Deficit Elimination Plan, November
- Citizen vote on City ballot measures, if any, November 4, 2008

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Top Priority Strategy Recommendation Presentation  
33



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### THREE YEAR GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN

#### Top Priority Strategy Recommendations

May 16, 2008

## Another Strategy: Levy Parcel Tax

- Parcel Tax for Special Purposes
  - Requires 2/3 voter approval
- Parcel Tax for General Uses
  - Requires majority voter approval
- Every \$10 in parcel tax produces approximately \$2.4 M in revenue